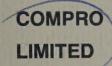
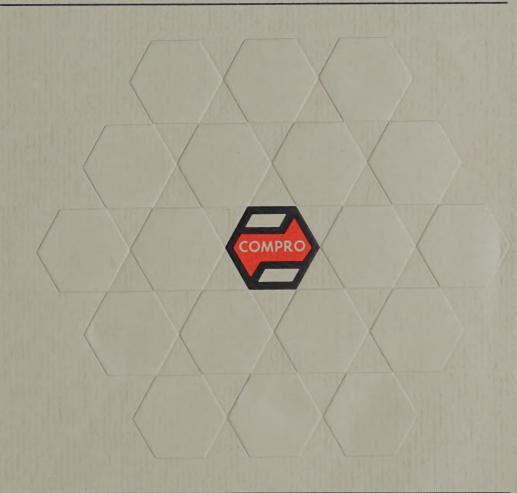
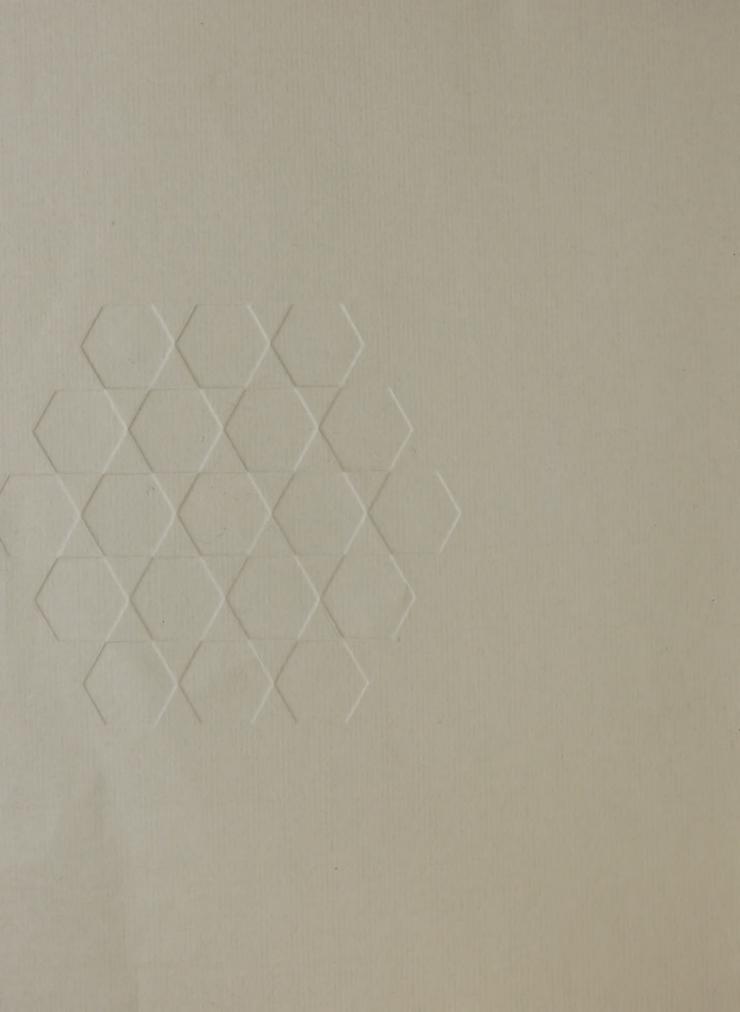
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formerly
COMBINED ENGINEERED
PRODUCTS LIMITED

THIRTY-FIRST ANNUAL REPORT 1975





BOARD OF DIRECTORS

Paradise Valley, Arizona, Chairman of the Board and Executive Committee *M. O. SIMPSON, JR.

*D. S. BEATTY

J. P. CARRIÈRE Montreal

*P. S. NEWELL Toronto Oracle, Arizona

Toronto _ mest life - 366-77/14 D. L. TORREY

*Members of Executive Committee

OFFICERS

M. O. SIMPSON

*H. M. TURNER

M. O. SIMPSON, JR. President

B. T. H. KNILL Vice President & Secretary-Treasurer

Vice President P. H. SLAUGHTER R. A. DAVIS Vice President

K. W. DEARLOVE Controller

TRANSFER AGENTS AND REGISTRARS

MONTREAL TRUST COMPANY

Edmonton, Halifax, Montreal, Toronto, Vancouver and Winnipeg

REGISTRAR AND TRANSFER COMPANY

34 Exchange Place, Jersey City, N.J. 07302

AUDITORS

PARENT COMPANY, CANADIAN SUBSIDIARY COMPANIES AND SOUTHEASTERN-WESTBROOK ELEVATOR

Coopers & Lybrand

COMPRO-FRINK CORPORATION FRINK SNO-PLOWS ORACLE CORPORATION

Robb, Dowling & Adams

THE DIRECTORS' REPORT

To the Shareholders of

COMPRO LIMITED

Consolidated sales increased by \$2,513,150 to \$29,087,503. Net earnings were \$1,111,975 which, after deducting \$110,000 dividends on the Preferred Shares, was equal to \$1.64 per Common Share compared to 74ϕ a year ago. Working capital increased by \$1,056,665 to \$5,955,063 at August 31, 1975. Capital expenditures, except for the acquisition of the Atlanta office and manufacturing facilities which amounted to \$425,000, were of a routine nature and totalled \$864,576. Subsequent to the Balance Sheet date and as referred to in Note 8 of the financial statements, the land and buildings in Danville, Virginia, no longer being required for manufacturing purposes, were sold for a net gain of approximately \$120,000, after estimated taxes. Common shareholders' equity at August 31, 1975 was \$4,633,718 which is equal to \$7.57 per share.

The improvement in earnings for the year resulted from the continuing heavy demand in Canada for the Company's products and services.

The economic situation in the United States prevented the U.S. operations from increasing their earnings contribution.

Long term liabilities during the year increased by the amount of the mortgage taken back by the vendor on the Atlanta facilities referred to above and by a reclassification of \$550,000 of bank loans.

2

On December 3, 1974, Supplementary Letters Patent were received confirming the name change of the Company to Compro Limited.

The introduction in Canada of price and income guidelines on October 14, 1975 may have some effect on the Company's ability to increase earnings in the future. The full impact cannot be determined at this time.

The consolidated backlog of orders on hand at August 31, 1975 was approximately \$11,000,000. This reflects a reduction of \$1,000,000 over a year ago which is largely attributable to the business carried on in the United States.

For their respective contributions to the successful operations of the Company during the past year, the Directors extend their appreciation to the officers and employees of the Company, its subsidiaries and divisions.

On behalf of the Board of Directors,

Chairman

Toronto October 30, 1975

CONSOLIDATED BALANCE SHEET AS AT AUGUST 31, 1975

			1975	1974
ASSETS			\$	\$
CURRENT ASSETS				
Cash			761,002	552,731
Accounts receivable – trade			3,479,753	3,326,781
Accounts receivable – other				40,673
Inventories—at the lower of cost or net realizab	ole value (Note	1)	5,678,301	6,008,577
Prepaid expenses		******	206,770	208,283
			10,125,826	10,137,045
	Cost	Accumulated Depreciation		
FIXED ASSETS (Note 8)	\$	\$		
Land	279,634	-	279,634	177,102
Buildings	2,464,205	1,141,482	1,322,723	984,377
Machinery and Equipment	5,940,917	4,841,395	1,099,522	1,075,023
	8,684,756	5,982,877	2,701,879	2,236,502
OTHER ASSETS			86,905	52,505
			12,914,610	12,426,052
			=====	12,720,032

LIABILITIES	\$	\$
CURRENT LIABILITIES		
Bank Loans (Note 3)	580,000	1,577,000
Accounts payable and accrued liabilities	2,757,822	2,951,188
Income and other taxes payable	369,851	173,016
Portion of long term liabilities due within one year (Note 4)	463,090	537,443
	4,170,763	5,238,647
LONG TERM LIABILITIES (Note 4)	1,910,129	1,372,662
DEFERRED INCOME TAXES	200,000	183,000
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized-		
200,000 Preferred Shares of the par value of \$20 each, issuable in series		
1,200,000 Common Shares without nominal or par value		
Issued and fully paid-		
100,000 \$1.10 Cumulative Preferred Shares, Series A, redeemable at \$21.50	2,000,000	2,000,000
612,300 Common Shares	157,250	157,250
RETAINED EARNINGS	4,476,468	3,474,493
	6,633,718	5,631,743
	12,914,610	12,426,052

1975

1974

Signed on behalf of the Board:

M. O. SIMPSON, JR., Director

H. M. TURNER, Director

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CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED AUGUST 31, 1975

	1975	1974
	\$	\$
SALES (Note 2)	29,087,503	26,574,353
COSTS		
Cost of products sold	22,669,700	21,263,336
Advertising	115,348	. 113,879
Selling expenses	1,193,269	1,183,985
Research and product development	104,524	145,004
Administrative and general expenses	1,817,063	1,660,919
Depreciation and amortization	398,688	422,141
Remuneration of directors and senior officers (Note 5)	442,138	379,521
	26,740,730	25,168,785
EARNINGS BEFORE INTEREST AND INCOME TAXES	2,346,773	1,405,568
INTEREST		
Bank loans	152,566	189,419
Long term liabilities	225,232	200,247
	377,798	389,666
EARNINGS BEFORE INCOME TAXES	1,968,975	1,015,902
INCOME TAXES		
Current	840,000	424,000
Deferred	17,000	30,000
Deterior	857,000	454,000
		+34,000
NET EARNINGS FOR THE YEAR	1,111,975	561,902
Per Common Share (after dividends on Preferred Shares)	\$1.64	74¢

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED AUGUST 31, 1975

	1975	1974
	\$	\$
RETAINED EARNINGS —beginning of year—as restated (Note 7)	3,474,493	3,022,591
NET EARNINGS FOR THE YEAR	1,111,975	561,902
DIVIDENDS - Preferred Shares	110,000	110,000
	1,001,975	451,902
RETAINED EARNINGS —end of year	4,476,468	3,474,493

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Compro Limited and wholly owned subsidiary companies as at August 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of the parent company and those of its subsidiary companies of which we are auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of the other subsidiary companies.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at August 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand Chartered Accountants

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED AUGUST 31, 1975

	1975	1974
	\$	\$
WORKING CAPITAL PROVIDED BY:		
Operations-		
Net earnings for the year	1,111,975	561,902
Add: Charges not requiring an outlay of funds		
Depreciation and amortization	398,688	422,141
Deferred income taxes	17,000	30,000
	1,527,663	1,014,043
Disposals of fixed assets	511	198,321
Increase (decrease) in long term liabilities	537,467	(209,777)
	2,065,641	1,002,587
WORKING CAPITAL APPLIED TO:		
Dividends paid to preferred shareholders	110,000	110,000
Additions to fixed assets	864,576	436,331
Increase (decrease) in other assets	34,400	(8,150)
	1,008,976	538,181
INCREASE IN WORKING CAPITAL	1,056,665	464,406
WORKING CAPITAL —beginning of year—as restated (Note 7)	4,898,398	4,433,992
WORKING CAPITAL —end of year	5,955,063	4,898,398

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 1975

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies followed by the company that materially affect the determination of financial position and results of operations are as follows:

Basis of Consolidation

The accounts of the company and all subsidiary companies have been consolidated.

Translation of Foreign Currencies

The assets, liabilities and earnings of the United States subsidiary companies have been converted to Canadian funds at a rate approximating the year-end rate of exchange. Unrealized losses are charged to earnings and unrealized profits are deferred.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using either average, standard which approximates average cost, or actual. Cost, where applicable, includes labour and overhead.

	1975	1974
These comprise:	\$	\$
Raw Materials	1,856,908	2,332,536
Work in Process	1,438,204	1,565,482
Finished Goods	2,383,189	2,110,559
	5,678,301	6,008,577

Fixed Assets and Depreciation

Property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets for financial reporting purposes and accelerated methods for tax purposes.

When properties are disposed of, the related costs and accumulated depreciation are removed from the respective accounts and any profit or loss is recognized currently.

COMPRO LIMITED AND WHOLLY OWNED SUBSIDIARY COMPANIES

Income Taxes

The provision for income taxes in the financial statements relates to the items of income and expense included in such statements. To the extent that such items, principally depreciation, are recognized in a different period for tax purposes, deferred income taxes are provided to give effect to these timing differences.

Dividend payments from the subsidiary company in the United States are subject to withholding tax at 15% but are not subject to additional tax in Canada. The company does not anticipate paying dividends in the future out of earnings accumulated in the United States to August 31, 1975 as these earnings have been re-invested on a long term basis. Accordingly withholding taxes have not been provided.

Pensions

During the year the company increased the pension benefits to employees at one of its operations. The past service costs for this additional coverage are \$92,000. The unfunded past service liability of all pension plans based on the most recent valuations by independent actuaries is \$783,000 of which \$420,000 is actuarially computed to have vested. This amount is being funded over 15 years. The company has no legal liability with regard to the past service obligation including that portion which is vested.

Contracts

A substantial portion of the income of one of the divisions results from contracts on which income is recognized on a percentage of completion basis. All other income is recognized as goods are shipped. When estimates on any contract indicate an ultimate loss, the full amount of the loss is recognized.

2. CLASSES OF BUSINESS BY PERCENTAGE OF SALES

	1975	1974
Snow and ice control equipment	39%	33%
Hydraulic and traction elevators	18	22
Industrial gears and speed reducers	19	18
Truck parts, equipment and service	13	12
Other (including roll coverings, rubber linings, and miscellaneous steel fabrication)	11	15
	100%	100%

3. BANK LOANS

\$1,230,000 of the bank loans including term bank loans at August 31, 1975 have been secured by a floating charge debenture on the parent company's assets and by pledging inventories and trade accounts receivable of the divisions of the parent company and its Canadian subsidiary.

		Long Term	Portion due within one year
4.	LONG TERM LIABILITIES	\$	\$
	Term bank loans—scheduled for repayment at varying amounts per year to August 31, 1980 (\$1,150,000 secured: Note 3)	1,239,496	398,600
	5% mortgage note due May 31, 1986 secured by fixed assets with net book value of \$113,000 (Note 8)	151,834	9,600
	Equipment financing	101,002	42,190
	Sundry notes and mortgages	19,873	11,600
	9% mortgage due September 2014 secured by fixed assets with net book value of \$437,000	397,924	1,100
		1,910,129	463,090

5. INFORMATION RE DIRECTORS AND OFFICERS

The company has seven directors whose aggregate remuneration as directors was \$7,100, all of which was paid by the company. The company had six officers whose aggregate remuneration was \$400,544 (1974, \$352,021) of which \$205,213 (1974, \$191,874) was paid by Compro-Frink Corporation, a wholly owned subsidiary. One of these officers is also a director.

6. LONG TERM COMMITMENTS

Annual rentals on long term leases of real property and equipment are \$238,424. Such leases expire at varying dates before 1993.

7. CONTINGENT LIABILITIES

During the year the company settled claims made December 27, 1973 by Dover Corporation under the indemnity agreement relating to companies sold in 1966. The net cost to the company was \$50,566 which has been treated as a prior period adjustment in these financial statements. Opening retained earnings and working capital of the current and prior year have been restated accordingly.

Under the terms of the settlement, the company may have to make payments in respect to the following matters:

- (a) Litigation in the U.S., which originated in 1964 and has been dormant since 1966. Management is of the opinion that should payments be required they would not be material.
- (b) An examination report of the Internal Revenue Service for the years 1962-1966 which reflects additional tax, interest and penalties of approximately \$236,000. Legal counsel has given an opinion that the Internal Revenue Service report was ill-founded and a Statement of Protest has been filed. In the opinion of management this matter will be settled at minimal cost to the company.

Any payments that may be necessary relating to the above items will represent a reduction in the selling price of the companies sold and, therefore, will be accounted for as prior period adjustments to opening retained earnings and not as charges against current earnings in future financial statements.

8. SUBSEQUENT EVENT

Subsequent to Balance Sheet date the U.S. subsidiary of the company sold one of its plants no longer required for manufacturing for a net gain of approximately \$120,000, after estimated taxes. The 5% mortgage note due May 31, 1986 was discharged out of the proceeds.

COMPRO LIMITED

365 Evans Avenue Toronto, Ontario M8Z 1K2

CANADIAN DIVISIONS

FORT GARRY INDUSTRIES

Winnipeg, Manitoba; Regina and Saskatoon, Saskatchewan; Calgary, Alberta and Thunder Bay, Ontario

HAMILTON GEAR AND MACHINE COMPANY

Toronto, Ontario; Montreal, Quebec and Vancouver, B.C.

CANADIAN SUBSIDIARY

C.E.P. INDUSTRIES LIMITED

EASTERN STEEL PRODUCTS

Cambridge and Mississauga, Ontario and Montreal, Quebec

FRINK CANADA

Cambridge and Mississauga, Ontario and Montreal, Quebec

U.S. SUBSIDIARIES

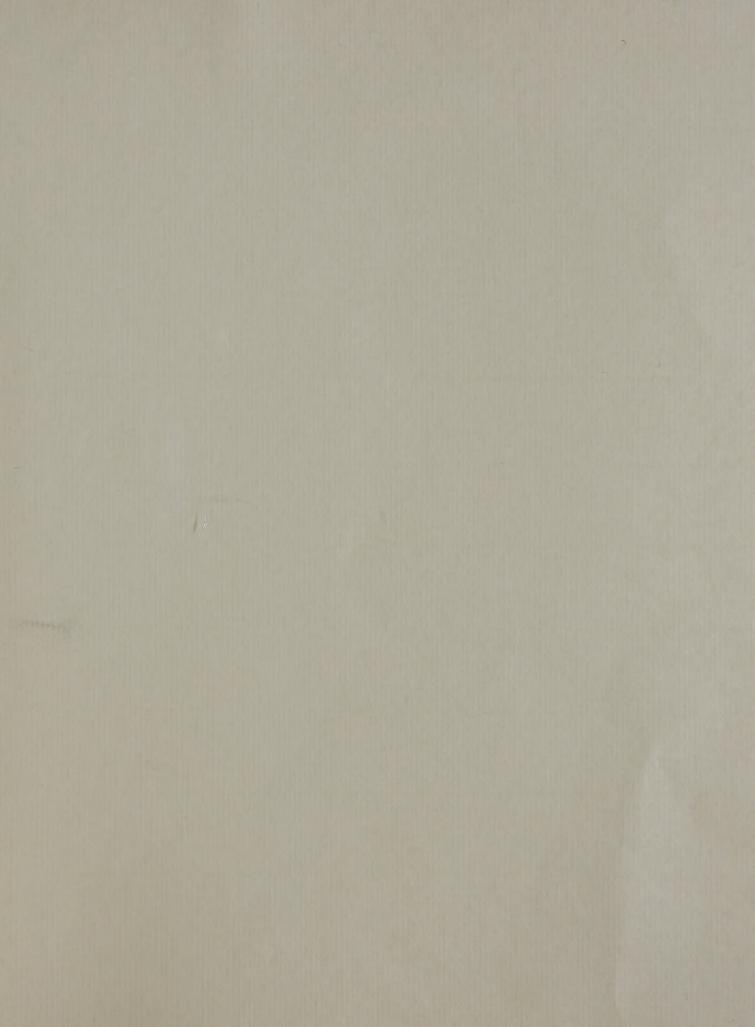
COMPRO-FRINK CORPORATION

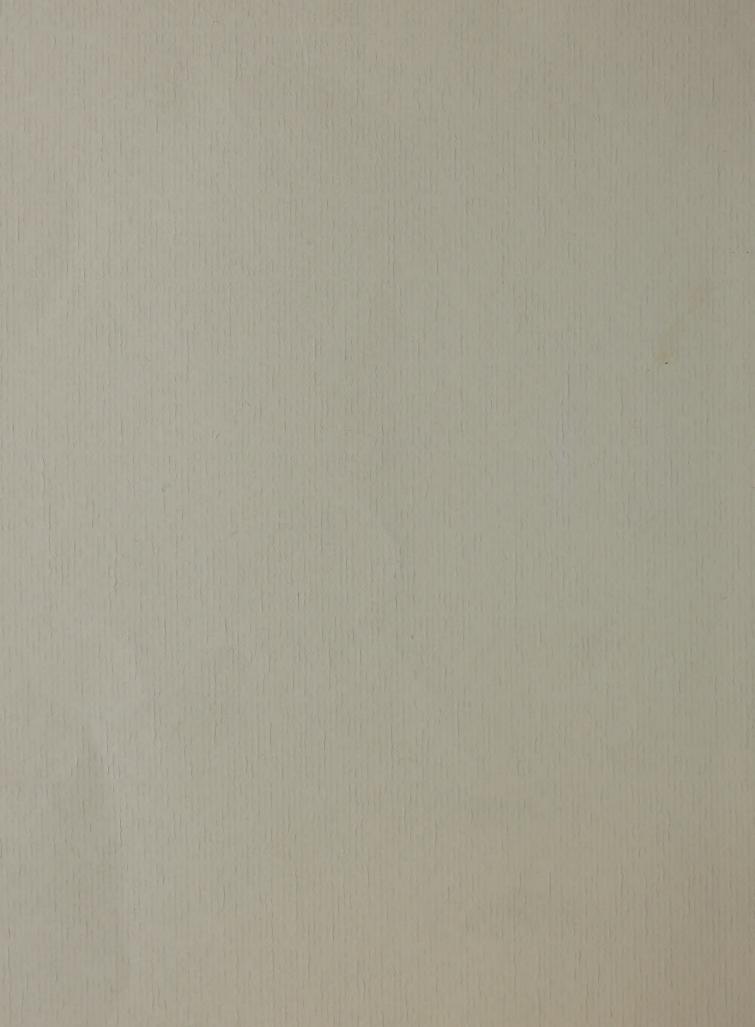
FRINK SNO-PLOWS

Clayton, New York and Alpena, Michigan (Oracle Corporation)

SOUTHEASTERN-WESTBROOK ELEVATOR

Atlanta, Georgia and Danville, Virginia







COMPRO LIMITED

INTERIM REPORT

TO SHAREHOLDERS



FOR THE SIX MONTHS

ENDED FEBRUARY 28, 1975

To the Shareholders:

After making allowance for those operations sold in 1974, the sales for the period on a comparable basis increased by \$1,281,087. Net earnings increased to \$531,900, or 77.9¢ per common share. Consolidated working capital increased during the period by \$370,407.

The strike at Hamilton Gear and Machine Co., referred to in the last quarterly report, was settled on March 7, 1975. A satisfactory union contract was reached at Frink Sno-Plows. There are three contracts yet to be settled, two of which are presently being negotiated and the third does not come up for renewal until the fourth quarter of the fiscal year.

While the orders received by the company's plants in both the U.S. and Canada have shown a decline, the outlook for earnings for the balance of the fiscal year remains favourable.

April 4, 1975

M. O. SIMPSON, JR. Chairman and President.

INTERIM CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited)
FOR THE SIX MONTHS ENDED FEBRUARY 28, 1975

	Feb. 28 1975	Feb. 28 1974
	S	\$
SALES	14,259,440	14,007,747
EARNINGS BEFORE INCOME TAXES	1,024,811	604,571
ESTIMATED INCOME TAXES	492,911	302,571
NET EARNINGS FOR THE PERIOD	531,900	302,000
EARNINGS PER COMMON SHARE (after dividends on Preferred Shares)	77.9¢	40.3¢

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (Unaudited)

FOR THE SIX MONTHS ENDED FEBRUARY 28, 1975

WORKING CAPITAL PROVIDED BY:		
Operations		
Earnings for the period	531,900	302,000
Depreciation provided	210,305	251,808
	742,205	553,808
Net increase (decrease) in long term liabilities	337,079	(55,298)
Net book value of fixed assets sold		177,886
	1,079,284	676,396
WORKING CAPITAL APPLIED TO:		11 11 11 11 11 11
Dividends paid to preferred shareholders	55,000	55,000
Additions to fixed assets	603,311	135,218
Dover settlement	50,566	
	708,877	190,218
INCREASE in working capital	370,407	486,178
WORKING CAPITAL at beginning of year	4,948,964	4,484,558
WORKING CAPITAL at end of period	5,319,371	4,970,736
CURRENT ASSETS	11,301,299	9,883,954
CURRENT LIABILITIES	5,981,928	4,913,218
	5,319,371	4,970,736